



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

DIVISION OF ENERGY

IN THE MATTER OF THE VERIFIED PETITION)
OF JERSEY CENTRAL POWER & LIGHT)
COMPANY FOR REVIEW AND APPROVAL OF)
COSTS INCURRED FOR ENVIRONMENTAL)
REMEDATION OF MANUFACTURED GAS)
PLANT SITES PURSUANT TO THE)
REMEDATION ADJUSTMENT CLAUSE OF)
ITS FILED TARIFF ("2004 ANNUAL RAC FILING"))

DECISION AND ORDER
APPROVING STIPULATION
OF SETTLEMENT
BPU DKT NO. ER04121758

(SERVICE LIST ATTACHED)

BY THE BOARD:

On December 28, 2004, Jersey Central Power & Light Company ("JCP&L" or "Company") filed a petition with the Board of Public Utilities ("Board") for the annual review of actual costs and expenditures incurred by JCP&L relating to the environmental remediation of its former Manufactured Gas Plant ("MGP") sites for the period from January 1, 2004 to December 31, 2004. The petition projects the Company's total un-recovered net deferred Remediation Adjustment Clause ("RAC") balance, including carrying costs, at December 31, 2004 to be \$6,257,042. Of that amount, \$2,642,055 relates to JCP&L's incremental MGP remediation expenses incurred during the 2004 RAC period of January 1, 2004 through December 31, 2004.

The purpose of the 2004 RAC filing is to provide the Board and the parties with an opportunity to conduct an annual review of the reasonableness and prudence of all actual MGP costs and expenditures incurred by JCP&L from January 1, 2004 through December 31, 2004. In light of the relatively modest size of the net deferred RAC account balance at December 31, 2004, JCP&L determined not to seek any adjustment to its RAC factor in this proceeding. Instead, JCP&L seeks to continue to defer the net deferred RAC balance at December 31, 2004, accruing interest at the rate and in the manner provided in the Board's Order with respect to the Company's 2003 Annual RAC filing. See, *In the Matter of the Verified Petition of Jersey Central*

Power & Light Company for Review and Approval of Costs Incurred for Environmental Remediation of Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment Clause of its Filed Tariff ("2003 Annual Rac Filing"), BPU Docket No. ER03121020, Decision and Order dated October 5, 2004.

The matter was retained at the Board. No public hearing was necessary since the Company's filing did not seek to increase the RAC rate.

Subsequent to comprehensive discovery and extensive discussions, the Company, the Division of the Ratepayer Advocate ("RPA"), and Board Staff (collectively the "Parties") executed the attached Stipulation of Settlement on November 15, 2005. The Stipulation provides for the following:

In light of the relatively modest size of the net deferred RAC account balance at December 31, 2004, the Company will not seek any increase or other change in the Company's current RAC rate factor which has previously been set at \$0.0000 per kWh.

The Company's ending deferred RAC net balance (including carrying costs) at December 31, 2004, was an unrecovered balance of \$6,257,042.

- The aforesaid deferred RAC net balance of \$6,257,042 should be approved by the Board as eligible for future recovery through Rider RAC and/or through current application of the other provisions of Rider SBC of the Company's Tariff.
- The Company shall be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2004, together with accrued interest thereon, for review and inclusion in future RAC filings and related adjustments.

The Company incurred outside legal expenses during the 2004 RAC period of approximately \$250,000, and community relations expenses of approximately \$115,000 to obtain rights of entry and deed notices from third party owners and to keep affected parties apprised of MGP remediation efforts. The Company agrees to provide a description and explanation of the outside legal expenses and community relations expenses incurred for these services in subsequent RAC filings.

The Company will, commencing January 1, 2006, maintain a complaint log for each MGP site which will provide details about complaints, exclusive of formal legal claims or lawsuits, received from property owners, neighboring residents and municipal officials and a description of the Company's actions responding to that complaint.

Given the absence of audits by the Company's internal and external auditors of RAC expenditures and recoveries, the Parties have agreed that the Staff's Audit Division will perform a RAC audit.

The Company, beginning with its next RAC filing, will include responses to the minimum filing requirements as set forth in Exhibit A to this Stipulation of Settlement.

- The Company will provide the Parties with copies of the evaluation report concerning the Wildwood Pilot Study when the report is completed.

DISCUSSION AND FINDINGS

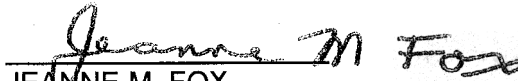
The Board has carefully reviewed the file to date in this proceeding and the attached Stipulation of Settlement of the parties. The Board HEREBY FINDS that the Stipulation is reasonable, in the public interest, and in accordance with the law. Accordingly, subject to the terms and conditions herein, the Board HEREBY ADOPTS and HEREBY APPROVES the Stipulation as its own, as if fully set forth herein.

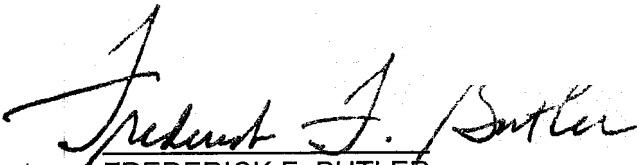
The Board's approval herein does not obviate the need for, and is, in fact, contingent upon, the holding of a public hearing in accordance with N.J.S.A. 48:2-32.4 before the implementation of any rate increases associated with the RAC balance approved in this Order as well as any other upward adjustments to the RAC petitioned for in future annual RAC true-up proceedings.

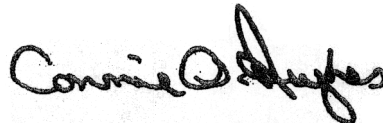
The Company's RAC costs shall remain subject to on-going audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any such audit.

DATED: 3/22/08

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

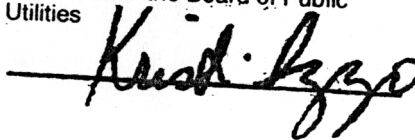

JOSEPH FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



In the Matter of the Verified Petition of Jersey Central Power & Light Company
For Review and Approval of Costs Incurred For Environmental Remediation of
Manufactured Gas Plant Sites Pursuant to the Remediation Adjustment
Clause of Its Filed Tariff ("2004 Annual RAC Filing")
BPU Docket No. ER04121758

SERVICE LIST

Seema Singh, Director
Division of the Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Felicia Thomas-Friel, Esq.
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07102

Henry Rich, Supervisor
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Vern Cumarasegaran
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Colin Sweeney
Jersey Central Power & Light Co.
300 Madison Avenue
Morristown, NJ 07962

Dennis Moran, Asst. Director, Energy
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Michael J. Filippone
Jersey Central Power & Light Co.
300 Madison Avenue
Morristown, NJ 07962

Babette Tenzer, DAG
Division of Law
Department of Law & Public Safety
124 Halsey Street, P.O. Box 45029
Newark, NJ 07102

Nusha Wyner, Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Sheila Iannaccone, Bureau Chief
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Judith Appel, Esq.
Division of the Ratepayer Advocate
31 Clinton Street, PO Box 46005
Newark, NJ 07101

Susan D. Marano
Jersey Central Power & Light Co.
300 Madison Avenue
Morristown, NJ 07962

Gerald W. Conway, Esq.
Thelen Reid & Priest LLP
200 Campus Dr., Suite 210
Florham Park, NJ 07932

Helene Wallenstein, DAG
Division of Law
Department of Law & Public Safety
124 Halsey Street, P.O. Box 45029
Newark, NJ 07102

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

In the Matter of the Verified Petition of
Jersey Central Power & Light Company
For the Review and Approval of Costs
Incurred For Environmental Remediation of
Manufactured Gas Plant Sites Pursuant to the
Remediation Adjustment Clause of Its Filed
Tariff (“**2004 Annual RAC Filing**”)

BPU Docket No. ER04121758

**Stipulation of Settlement
of
2004 Remediation Adjustment Clause
Filing
(the “2004 RAC Filing Stipulation”)**

TO THE HONORABLE BOARD OF PUBLIC UTILITIES:

This Stipulation of Settlement of Remediation Adjustment Clause (the “2004 RAC Filing Stipulation”) is hereby made and executed as of the 15th day of November, 2005, by and among the Petitioner, Jersey Central Power & Light Company (“JCP&L” or the “Company”), the Staff of the Board of Public Utilities (“Staff”) and the Division of the Ratepayer Advocate (the “Ratepayer Advocate”) (collectively, the “Parties”), in full and final resolution, upon the terms and conditions hereinafter set forth, of all factual and legal issues pertaining to JCP&L in connection with the above-captioned proceeding.

The Parties do hereby join in recommending that the New Jersey Board of Public Utilities (the “Board”) issue a Final Decision and Order approving the terms hereof, based upon the following stipulations:

Procedural History. For many years, the Company’s filed Tariff has included a Remediation Adjustment Clause (“Rider RAC”), which is now part of the Societal Benefits Charge (“Rider SBC”), to provide for the recovery of reasonable costs and expenditures

related to the environmental remediation of its former manufactured gas plant ("MGP") sites in New Jersey. On December 28, 2004, JCP&L made its above-captioned 2004 Annual Remediation Adjustment Clause ("RAC") Filing in this Docket No. ER04121758, in order to provide the Board and the Parties with the opportunity to conduct an annual review of the reasonableness and prudence of all actual costs and expenditures incurred by JCP&L from January 1, 2004 through December 31, 2004, relating to the environmental remediation of its former MGP sites, all in accordance with the terms of Rider RAC of the Company's filed Tariff and with prior RAC Stipulations and related Board Orders.

2. **No RAC Rate Increase.** In light of the relatively modest size of the net deferred RAC account balance at December 31, 2004, the Company does not seek, and this 2004 RAC Filing Stipulation does not provide for, any increase or other change in the Company's current RAC rate factor which has previously been set at \$0.0000 per kWh.

3. **Recoverable RAC Costs.** Staff and the Ratepayer Advocate (and the latter's consultant) have conducted extensive discovery related to the Company's 2004 Annual RAC Filing and have reviewed all of the Company's actual MGP costs and expenditures for the period from January 1, 2004 through December 31, 2004. Based upon Staff's and the Ratepayer Advocate's review and after discovery conferences and settlement negotiations among the Company, Staff and the Ratepayer Advocate, the Parties have agreed upon the following:

(a) The Company's ending deferred RAC net balance (including carrying costs) at December 31, 2004, was an unrecovered balance of \$6,257,042. In accordance with generally accepted accounting principles ("GAAP") as applied by JCP&L's independent auditors, the deferred RAC balance at December 31, 2004 included certain RAC expense accruals which may be subject to accounting adjustments in subsequent months when all vendor

invoices and other actual charges have been received and the actual amounts thereof are finally ascertained. Although the Parties will continue to review the level of such accruals in the Company's deferred RAC accounts in future proceedings, the Parties do not object to the use of such GAAP accrual accounting procedures as required by the Company's auditors.

(b) Staff and the Ratepayer Advocate agree and recommend that the aforesaid JCP&L deferred RAC net balance at December 31, 2004 of \$6,257,042 be approved by the Board as eligible for future recovery through Rider RAC and/or through current application of the other provisions of Rider SBC of the Company's Tariff. As indicated in paragraph (2) above, the Company does not seek, and this 2004 RAC Filing Stipulation does not provide for, any increase or other change in the Company's current RAC rate factor which has previously been set at \$0.0000 per kWh.

(c) The Parties hereby agree that JCP&L shall be authorized to continue to defer all additional reasonable and prudent MGP remediation costs and expenses incurred and deferred subsequent to December 31, 2004, together with accrued interest thereon, for review and inclusion in future annual RAC filings and related adjustments to the Company's Rider RAC and/or the application of the other provisions of Rider SBC, subject to the Board's review and approval.

(d) During its investigation in this matter, the Ratepayer Advocate raised concerns about RAC expenses for outside legal and community relations efforts. Total outside legal expenses paid during the 2004 RAC period were about \$250,000, while community relations expenses were about \$115,000. The Company stated that these activities were prudently incurred and necessary to its remediation efforts. Since these activities relate to obtaining rights of entry and deed notices from third party owners and keeping affected parties

apprised of MGP remediation efforts, the Ratepayer Advocate does not challenge these expenses. However, it requests and the Company agrees to prospectively perform these activities in a prudent and reasonable manner for the purposes of supporting its remediation program and mitigating potential liabilities related to its remediation program. The Company agrees to provide a description and explanation of the expenses incurred for these services in subsequent RAC filings, with claimed confidential information provided pursuant to a confidentiality agreement.

4. **Other RAC Issues.**

(a) Historically, the Company has not maintained ongoing complaint logs concerning remediation activities at its MGP sites. Based on discussions among the Parties, the Company has agreed prospectively (commencing January 1, 2006) to maintain a complaint log for each MGP site which will provide details about complaints (exclusive of formal legal claims or lawsuits) received from property owners, neighboring residents and municipal officials and a description of the Company's actions responding to that complaint. It is understood by the Parties that a purpose of a community relations program is to help minimize and (where possible) mitigate complaints from stakeholders.

(b) Given the absence of audits by the Company's internal and external auditors of RAC expenditures and recoveries, the Parties have agreed that the Staff's Audit Division will perform a RAC audit. This audit will review RAC-related transactions and will verify that the Company has followed all applicable Board-approved RAC procedures and Board Orders.

(c) The Company has also agreed that, beginning with its next RAC filing, it will include responses to the minimum filing requirements as set forth in Exhibit A to this Stipulation of Settlement.

Finally, the Company has agreed to provide the Parties with copies of the evaluation report concerning the Wildwood Pilot Study when the report is completed.

5. **Resolution of All Issues.** The Parties agree that the terms of this 2004 RAC Filing Stipulation shall be deemed to resolve all factual and legal issues relating to the termination of all amounts that were or could have been included in the calculation of JCP&L's deferred RAC balance through and at December 31, 2004.

6. **Entirety of 2004 RAC Filing Stipulation.** The Parties agree that this 2004 RAC Filing Stipulation contains mutual balancing and interdependent clauses and is intended to be accepted and approved by the Board in its entirety. In the event any particular aspect of this 2004 RAC Filing Stipulation is not accepted and approved in its entirety by the Board, then any Party aggrieved thereby shall not be bound to proceed with this 2004 RAC Filing Stipulation and shall have the right, upon written notice to be provided to all other Parties within ten (10) business days after receipt of any such adverse decision, to litigate all issues addressed herein to a conclusion. More particularly, in the event this 2004 RAC Filing Stipulation is not adopted in its entirety by the Board in its Final Order in this matter, then any Party hereto shall be free, upon the timely provision of such written notice, to pursue its then available legal remedies with respect to all issues addressed in this 2004 RAC Filing Stipulation, as though this Stipulation had not been signed.

7. **Binding Effect.** The Parties further agree that, upon its approval in its entirety by the Board, this 2004 RAC Filing Stipulation shall be binding on them for all purposes herein.

8. **General Reservation.** It is specifically understood and agreed that this 2004 RAC Filing Stipulation represents a negotiated agreement and, except as otherwise expressly provided for herein:

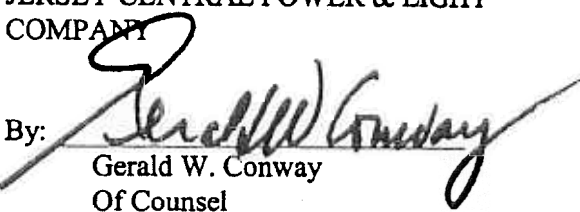
(a) By executing this 2004 RAC Filing Stipulation, no Party waives any rights it possesses under any prior RAC Stipulation or Board Order.

(b) The contents of this 2004 RAC Filing Stipulation shall not in any way be considered, cited or used by any of the undersigned Parties as an indication of any other Party's position on any related or other issue litigated in any other proceeding or forum in the future, except to enforce the terms of this Stipulation.

WHEREFORE, the Parties hereto, intending thereby to be legally bound, have duly executed this Stipulation, and do respectfully submit this Stipulation to the Board and request that the Board issue a Final Decision and Order adopting and approving this 2004 RAC Filing Stipulation in its entirety in accordance with the terms hereof.


THELEN REID & PRIEST LLP
ATTORNEYS FOR PETITIONER,
JERSEY CENTRAL POWER & LIGHT
COMPANY

By:

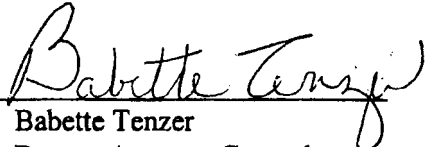

Gerald W. Conway
Of Counsel

SEEMA M. SINGH, ESQ.
RATEPAYER ADVOCATE

By:


Judith Appel
Deputy Ratepayer Advocate

PETER C. HARVEY,
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR STAFF OF THE
BOARD OF PUBLIC UTILITIES

By: 
Babette Tenzer
Deputy Attorney General

Jersey Central Power & Light Company
RAC Minimum Filing Requirements

As part of the Company's annual RAC filing, the Company will provide responses to the following Minimum Filing Requirements ("MFRs"). The requests, unless noted otherwise, relate to the historical 12-month RAC period. The data shall be provided by February 15 of the calendar year following the historical 12-month RAC period.

- 1 The Company currently provides a vendor summary as Attachment D with its annual filing. This Attachment provides a summary of the expenditures incurred by vendor by site for the twelve-month RAC period. Hereafter, the Attachment will be supplemented with a general description of the services provided by each vendor. The data noting expenditures incurred through November are submitted to the Parties by December 31 of the filing period. The data are updated with the expenditures incurred through December and submitted to the Parties by January 31 of the year following the filing period.
 - a)
2. Identify the three MGP sites with the highest level of expenditures during the prior RAC period. For each identified site, provide a copy of the latest work plan, remediation report, or major work product submitted to the NJDEP. The copies should include the narrative portion of the report or work plan but need not include the technical supporting workpapers, charts and tables.
3. For each of the same three MGP sites, provide all correspondence between the Company and the NJDEP concerning submissions for the site, reply comments, and other major items which have a material impact on remediation activities and associated costs incurred by the Company. The correspondence should span the twelve-months preceding December 31st of the most recent RAC period.
4. For each of the same three MGP sites, provide expense documentation for any contractor or supplier whose invoices for the RAC period exceed \$250,000 in aggregate. The expense documentation should include descriptions of services rendered, applicable invoices, and any tracking of invoiced charges vs. budgets. The expense detail need not include expense reports or time sheets, but it should include supporting documentation for any subcontractor and third party expenses totaling \$100,000 or more for the period.
5. For each of the same three MGP sites, provide a narrative description and organization chart for that site, showing the vendors and project control structure for the remediation effort. The response should show what entities

supervise all significant contractors and subcontractors and which Company personnel are involved in site and remediation supervision and control.

6. Provide a detailed narrative describing Company activities and any reimbursements related to insurance claims or potentially responsible parties' liabilities for all of the Company's MGP sites. The narrative, with supporting documentation, should cover the prior RAC period.
7. Provide copies of any RAC audit reports or related materials prepared by the Board's Audit Staff, FERC, or the Company's internal or external auditors during the previous twelve months. To the degree applicable, please also provide any materials prepared in response to the audits or in compliance with any audit findings.
8. Provide a narrative concerning all material events, whether related to NJDEP mandates or not, which could have an impact on the Company's ultimate MGP remediation liability, with claimed confidential information provided pursuant to a confidentiality agreement. The narrative should encompass all sites, whether or not active remediation efforts on the site are under way.
9. Provide schedules and supporting workpapers and documents, which show the reconciliation of the prior period RAC expenditures and recoveries as well as the derivation of the deferred tax credit and the interest accrual on any unamortized balances.
10. Provide the Company's bid evaluation studies, reports, workpapers or other material related to the two largest MGP remediation contracts awarded during the previous RAC period. The response should include the criteria utilized for bid evaluation and the comparisons between the terms and conditions offered by the competitive bidders.
11. Provide documentation relating to the two largest supplemental contract amendments authorized by the Company during the previous RAC period. The response should provide the contractor's request for supplemental funding, the reasons cited for the request, and the Company's evaluation and action taken concerning the request.
12. Provide documentation relating to any instances during the previous RAC period where the Company sought to modify, change, or eliminate the NJDEP site remediation requirements for any of its MGP sites. The response should provide copies of any such Company requests, the NJDEP responses, and the ultimate outcome concerning the requests.

13. Provide a calculation of the carrying costs that the Company seeks to recover in this filing, including workpapers and supporting documentation.
14. The Company currently provides a schedule that summarizes the expenditures incurred by major cost category by site on a quarterly basis. These data are, and will continue to be, reported as Attachment C with its annual filing.
15. For each of the Company's MGP sites, provide a schedule showing the status of the remediation effort and estimated dates for the completion of remaining milestones. The Parties understand that the timeframes to complete the remediation efforts are subject to a great deal of uncertainty due to factors beyond the Company's control. Also, provide an update concerning the status of discussions with the NJDEP concerning its NRD initiative or major remediation problems, with claimed confidential information provided pursuant to a confidentiality agreement.